

(KEYWORD, SUMMARY, AND DIGEST as amended by Senate committee amendments)

INSURANCE: Defines kinds of insurance for purposes of the Louisiana Insurance Code.

DIGEST

Present law specifies 17 kinds or "lines" of insurance as follows: life; health and accident; vehicle; liability; workers' compensation; burglary and forgery; glass; fidelity and surety; title; fire and extended coverage; steam boiler and sprinkler leakage; crop and livestock; marine and transportation; marine protection and indemnity; miscellaneous; homeowners'; credit life, health, and accident and credit property and casualty; and annuity. Provides for various subcategories under these kinds of insurance.

Proposed law changes the kinds or "lines" of insurance by:

- (1) Separating out health stop loss insurance as a separate subcategory under health and accident insurance and defining it as insurance against major expenses incurred by an employee benefit plan due to the illness or injury of a covered employee or against major expenses incurred by a health care provider at financial risk for provision of health care to persons under an agreement.
- (2) Eliminating insurance against loss or damage to an aircraft or accidental death or injury associated with an aircraft from the definition of vehicle insurance, as such losses or damages are included under the definition of marine and transportation insurance.
- (3) Adding as a subcategory under liability insurance that coverage which provides indemnity, on behalf of an insured, for any legal responsibility from the damage to or the destruction of another person's property or the infliction of injury on another person that is caused by an insured's negligence, carelessness, or failure to act.
- (4) Adding employer's liability insurance to the definition of workers' compensation insurance.
- (5) Adding coverage of expenses associated with kidnapping or ransom demands to the definition of burglary and forgery insurance.
- (6) Separating the definitions of fidelity and surety insurance. Defines fidelity insurance exclusively as a contract whereby one becomes a guarantor for any person in any position or place of trust or as custodian of public or private money or property. Defines surety insurance as a contract whereby one becomes a surety or guarantor for the performance of any person of any lawful obligation, undertaking, agreement, or contract of any kind, except contracts or policies of insurance; or guaranteeing against loss or damage resulting from failure of debtors to pay their obligations to the insured; and underwriting blanket bonds. Retains, however, the prohibition in present law that, no insurer, except the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the National Credit Union Administration, or any similar insurance corporation created by the congress or any state legislature shall insure deposits in banks, savings and loan associations, credit unions, finance operations, or similar institutions.
- (7) Changing the designation of fire and extended coverage insurance to fire and allied lines insurance.
- (8) Eliminating glass as a separate kind of insurance and making it a subcategory under the definition of fire and allied lines insurance.

- (9) Separating livestock insurance from crop insurance and making it a subcategory under the definition of fire and allied lines insurance.
- (10) Adding insurance against loss or damage from hail to trees, crops, or other products of the soil to the definition of crop insurance.
- (11) Adding insurance against loss or damage to live animals during transport as a subcategory under the definition of marine and transportation insurance.
- (12) Adding veterinary care plan insurance providing care for a pet animal of an insured owner in the event of illness, accident, or death as a subcategory under the definition of marine and transportation insurance.
- (13) Adding insurance against financial loss due to trip cancellation or interruption, lost or damaged baggage, trip or baggage delay, missed connections, or changes in itinerary as a subcategory under the definition of marine and transportation insurance.
- (14) Changing the definition of credit life, health, and accident insurance to provide that it is insurance sold in connection with a credit transaction which is not limited to partially or wholly extinguishing the credit obligation. Deletes a provision stating that the credit obligation is the total sum payable, including all loan finance charges and credit service charges, pursuant to the credit transaction. Instead provides that the amount of credit insurance issued pursuant to a credit transaction shall not exceed the total sum payable under the contract including all loan finance and credit service charges.
- (15) Adding industrial insurance as a kind of insurance and defining it as fire and allied lines insurance policies issued through producers operating on the debit agency system, under which system a weekly or monthly collection percentage is paid based either on actual weekly or monthly premium collections or weekly or monthly increases of premium collections and where the face amount of the insurance provided covering buildings and other structures or contents under the same ownership shall not exceed \$40,000 for the structure and \$40,000 for contents.

Present law further provides for capital requirements for domestic stock insurers which applied for a certificate of authority prior to Sept. 1, 1989. Also provides that such a life insurer shall not be authorized to transact any additional kind of insurance other than health and accident insurance.

Proposed law makes these capital requirements correspond to the kinds of insurance specified in proposed law without changing the amounts required by present law except to the extent to which kinds of insurance were redefined or recategorized. Additionally provides that a life insurer shall not be authorized to transact any additional kind of insurance other than annuity or credit life, health, and accident insurance.

Present law further provides for capital requirements for domestic stock insurers which apply for a certificate of authority on or after Sept. 1, 1989.

Proposed law makes these capital requirements correspond to the kinds of insurance specified in proposed law without changing the amounts required by present law except to the extent to which kinds of insurance were redefined or recategorized.

Present law further provides for surplus requirements for domestic mutual insurers which applied for a certificate of authority prior to Sept. 1, 1989. Also provides that such a life insurer shall not be authorized to transact any additional kind of insurance other than health and accident insurance.

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Proposed law makes these capital requirements correspond to the kinds of insurance specified in proposed law without changing the amounts required by present law except to the extent to which kinds of insurance were redefined or recategorized. Additionally provides that a life insurer shall not be authorized to transact any additional kind of insurance other than annuity or credit life, health, and accident insurance.

Present law further provides for minimum application and surplus requirements for domestic reciprocal stock insurers. Also provides that such life insurer shall not be authorized to transact any additional kind of insurance other than health and accident insurance.

Proposed law makes these application and surplus requirements correspond to the kinds of insurance specified in proposed law without changing the amounts required by present law except to the extent to which kinds of insurance were redefined or recategorized.

Proposed law permits a policy of group life insurance to be issued to a trust established by an insurer on behalf of participating employers, provided all participating employers and employees have the same statutory protections that would apply if such policy were purchased by the employer directly from the insurer.

Proposed law further changes references in present law to correspond to the recategorized kinds of insurance, as follows:

- (1) Present law, relative to requirements for insurance policies in general, shall not apply to certain kinds of insurance including life insurance policies.

Proposed law additionally specifies that present law shall not apply to annuities.

- (2) Present law specifies the contents of insurance policies in general. Also provides that present law shall not apply to surety insurance contracts.

Proposed law additionally provides that present law shall not apply to fidelity insurance contracts.

- (3) Present law specifies the powers and duties of the Property Insurance Association of La. (PIAL), including the authority of the association to make rates on fire and extended coverage insurance as well as steam boiler and sprinkler insurance with regard to water damage to property.

Proposed law instead gives PIAL the authority to make rates on fire and allied lines insurance and deletes its authority to make rates on steam boiler and sprinkler insurance with regard to water damage to property.

- (4) Present law, the Financial Institution Insurance Sales Law, provides that it is not applicable to certain kinds of insurance, including fire and extended coverage insurance.

Proposed law instead provides that present law shall not apply to certain kinds of insurance, including fire and allied lines insurance.

- (5) Present law, relative to the La. Insurance Guaranty Association, provides that it is not applicable to certain kinds of insurance, including fidelity and surety insurance and bail bonds.

Proposed law instead provides that present law shall not apply to certain kinds of insurance, including annuities and fidelity insurance or surety insurance.

- (6) Present law defines "net direct premiums" for purposes of present law relative to the La. Insurance Underwriting Plan (Coastal Plan) to include fire and extended coverage insurance.

Proposed law instead defines "net direct premiums" for purposes of present law relative to the Coastal Plan to include fire and allied lines insurance.

- (7) Present law defines "net direct premiums" for purposes of present law relative to the La. Joint Reinsurance Plan (FAIR Plan) to include fire and extended coverage insurance.

Proposed law instead defines "net direct premiums" for purposes of present law relative to the FAIR Plan to include fire and allied lines insurance.

Effective January 1, 2010.

(Amends R.S. 22:47(2)-(6), (8), (10), (12), (13), (16)(a), 81, 82, 111, 112, 165, 851(A), 861(A)(1), 864(D), 1460(D)(2), 1594(1), 2053(A), 2322(5), and 2336(5); Adds R.S. 22:47(18) and (19); Repeals R.S. 22:47(7))

Summary of Amendments Adopted by House

House Floor Amendments to the engrossed bill.

1. Adds effective date of January 1, 2010.

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Insurance to the reengrossed bill.

1. Adds provisions permitting a policy of group life insurance to be issued to a trust established by an insurer on behalf of participating employers, provided all participating employers and employees have the same statutory protections that would apply if such policy were purchased by the employer directly from the insurer.